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Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 SP-02 USIA-06 AID-05 EB-08
NSC-05 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00
COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03
LAB-04 SIL-01 DODE-00 PM-05 H-01 L-03 PA-01
PRS-01 DHA-05 FEA-01 AGRE-00 /107 W
----------130525 072151Z /70
R 071507Z SEP 77
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 9162
INFO AMEMBASSY MOSCOW
AMEMBASSY WARSAW

C O N F I D E N T I A L CAIRO 14877

E.O. 11652: GDS
TAGS: ECON, ETRD
SUBJECT: POLISH COKINGCOAL SHIPMENTS TO EGYPT

REF: WARSAW 6209

1. ACCORDING TO POLISH ECONCOUNSELOR IN CONVERSATION WITH EMBOFF SEPTEMBER 7, EGYPTIAN THREAT TO STOP COTTON SHIPMENTS TO USSR AND CZECHOSLOVAKIA BASICALLY IS A BLUFF. SOVIET RETALIATION THROUGH CUTS OF COKING COAL SHIPMENTS, THREFORE, NOT VERY PROBABLE. NEVERTHELESS, POLAND READY AND WILLING TO INCREASE ITS SHIPMENTS TO EGYPT IF REQUESTED.

2. POLISH EMBASSY FOUND EGYPTIAN ANNOUNCEMNT OF CUTS IN COTTON SHIPMENTS TO USSR AND CZECHOSLOVAKIA PUZZLING AND TOTALLY LACKING IN ECONOMIC SENSE. POLISH ECONCOUNS NOTED THAT UNDER TERMS OF EGYPTIAN/SOVIET TRADE PROTOCOL, GOE GETTING A VERY GOOD "PRICE" FOR ITS COTTON. BALANCE OF BILATERAL TRADE IS GREATLY IN GOE'S FAVOR. IN ADDITION, GOE UNLIKELY TO GET GOOD PRICE FOR ITS COTTON IN WORLD MARKET BECAUSE OF PREDICTED COTTON GLUT. SUDANESE, HE NOTED,
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RECENTLY SOLD THEIR ENTIRE COTTON CROP FOR 40 PERCENT BELOW GOING RATES. SWISS HAVE BOUGHT UP LARGE QUANTITIES OF SUDANESE COTTON AND ARE OFFERING IT IN EUROPE AT 15 PERCENT BELOW MARKET PRICE. COUNTRIES SUCH AS POLAND, HAVING HARD CURRENCY AGREEMENTS WITH GOE, HAVE BEEN SORELY TEMPTED BY SWISS OFFER AND IT UNLIKELY THAT THEY WOULD PURCHASE COTTON FORMERLY EARMARKED FOR USSR AND CZECHOSLOVAKIA.

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3. POLISH OFFICER WRYLY COMMENTED THAT GOE OFFICIALS RESPONSIBLE FOR COTTON TRADE WELL AWARE OF "FACTS OF LIFE" AND RECENTLY OFFERED USSR 10,000 TONS COTTON OVER AND ABOVE PROTOCOL AGREEMENT. HE BELIEVES POSSIBILITY OF SOVIET RETALIATION THROUGH CUTS IN EXPORT COKING COAL, THEREFORE, IS MOOT QUESTION. HOWEVER, ECONCOUNS PREDICTED THAT EGYPTIANS WILL BE IN MARKET FOR ADDITIONAL COAL.

4. AS POLES PERCEIVE SITUATION, EGYPTIANS CAN USE A MAXIMUM OF 1.7 MILLION TONS OF COKING COAL PER YEAR ASSUMING INDUSTRY OPERATING AT FULL CAPACITY. IN ACTUALITY, EGYPTIANS ARE ONLY CONSUMING APPROXIMATELY 1.1 MILLION TONS, ALTHOUGH THAT FIGURE COULD EASILY RISE TO 1.5 MILLION TONS IF HELWAN STEEL PLANT WERE WORKED AT FULL CAPACITY. HE SAID GOE PESENTLY IS "GUARANTEED" ONE MILLION TONS (600,000 FROM USSR AND 400,000 TONS FROM USA), WHICH IS ENOUGH FOR PRESENT OPERATIONS. EGYPTIANS SHOULD, HOWEVER, HOLD AN ADDITIONAL 250,000 TONS IN RESERVE. SOVIETS, ACCORDING TO POLISH OFFICIAL, REALISTICALLY CANNOT INCREASE SHIPMENTS AS THEY AREALREADY SHORT OF COKING COAL FOR THEIR DOMESTIC INDUSTRIES. WESTERN EUROPE WOULD ALSO BE HARD PRESSED TO COME UP WITH REQUIRED AMOUNTS, EGYPT, THEREFORE, WILL PROBABLY TURN TO USA FOR ADDITIONAL SHIPMENTS BECAUSE OF FAVORABLE CIP TERMS. POLAND, ON OTHER HAND, PRESENTLY IS OPENING UP NEW COAL MINES AND COULD EASILY TAKE UP SLACK OF UP TO 500,000 TONS WITH MINIMAL LEAD TIME. POLES, THEREFORE,
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WATCHING EGYPTIAN MARKET VERY CAREFULLY.

5. COMMENT: POLISH ECONCOUNS SARNACKI HAS HAD OVER FIFTEEN YEARS EXPERIENCE IN EGYPT AND IS IN LARGE MEASURE RESPONSIBLE FOR GROWTH IN EGYPTIAN/POLISH TRADE. ALTHOUGH CUT IN COTTON SHIPMENTS WITH CONSEQUENT SOVIET RETALIATION THROUGH CUTS IN EXPORT OF COKING COAL IN HIS ASSESSMENT NOT PROBABLE, POLES AT CAIRO EMBASSY APPEAR EAGER TO SELL AS MUCH COKING COAL AS POSSIBLE TO GOE IF MARKET OPENS UP.
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